

TO STUDY THE STATUS AND GROWTH DRIVER OF FOOD PROCESSING INDUSTRY

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ABSTRACT

Indian Food processing sector is a key industry in India which is also the second largest producer of food products in the world next to China. The growth in food processing industry will lead to overall development in the economy as it will establish a vital synergy between the two main pillars of agriculture, economy and industry. As India is making a shift in its policy to “Make in India” and numerous schemes and development have opened up for food processing industry. The paper aims to study the status of food processing sector and the key driver which will boost its growth and role in Indian economy.

KEYWORDS: Food Processing, Make in India, Economic Growth & Atmanirbhar Bharat

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INTRODUCTION

Over View of Indian Economy: A Global Perspective

The Indian Economy ranks tenth and third largest in the world with respect to nominal GDP and purchasing power parity respectively. India is one of the G-20 major economies, that include Brazil, Russia, India, China and South Africa (BRICS) and is among the top 20 global traders according to the WTO. The country was the 19th- largest merchandise and the 6th largest services exporter in the world in 2013 and imported a total of \$616.7 billion worth of merchandise and services (As per data Indian Business Economy 2013, GOI). Its manufacturing industry has held a stable share of its economic contribution, at the same time service sector is seen as the fastest- growing part of the economy, which includes construction, telecom, trade, banking infrastructure, software and information technologies, health care, tourism, education, travel and other components of its economy. India is an agrarian economy and the importance of agriculture in the national economy cannot be ignored. 70 per cent population of India is dependent on agriculture thus forming the main source of income. Agriculture is the backbone of Indian Economy as the contribution of agriculture in the national income in India is immense. The importance of agriculture in the National Economy can be explained by the following points.

Agriculture sector: An Important part of Indian Economy

Share of Agriculture in the national income: The contribution of agriculture in 2012 in total employment is 51 per cent, in national export is 12.28 per cent and the national income is 16.74 per cent [1]. It shows that agricultural sector plays a significant role in Indian economy and has got a substantial share in the national income.

Agriculture is the largest employment providing sector: In 1951, the working population which was engaged in agriculture was 69.5 per cent. This percentage fell to

66.1 percent in 1991 & to 51.7 per cent in 2012.

Importance of agriculture in Industrial Development: Agriculture provides raw materials to various industries of national importance. Sugar industry, Cotton textile industry, Jute industry, tobacco industry, is examples of some such industries which depend on agriculture for their development. Many industries supply the inputs to the agricultural industry e.g. fertilizers, pesticides, insecticides, implements and machineries

Role of agriculture in the field of international trade: Many agricultural products like tea, sugar, oilseeds, tobacco, spices constitute the major share in Indian exports. India is currently exporting fruits and vegetables to the other countries. The proportion of agriculture goods is 50 per cent of the total export. In addition to this good manufactured from agriculture products contribute 20 percent of the total export.

India is the second largest producer of food in the world. Thus, the prosperity of the country will depend upon the development of agriculture sector in India. Here the role of food processing industries is also become vital and its study is an interesting research topic considering new policy, economic and technological developments in the country and at international level.

Present Scenario of Food Production and Processing in India

In Indian agriculture there have been considerable changes in the patterns of production, consumption, and trade. One of the transformations is the shift in production and consumption from food grains to high worth agricultural commodities such as fruits and vegetables, milk and milk products, marine processed food products. Business in high worth products is increasingly displacing exports of traditional commodities such as rice, sugar, tea, and other cash crops.

Therefore, during the 2000s, on one hand the growth rate in value of exports of rice, sugar, marine products, declined while on the other high value exports (fruits and vegetables, floriculture, meat) grew by about 18 percent annually. Thus, horticulture and other non-traditional, high value, agricultural crops signify a vital area of potential income growth in rural areas. As per the report of National Manufacturing Competitiveness Council there are around 25,367 registered food processing units in India, which add to total capital investment of \$17.81 billion. [4] The sector is emerging at an average rate of 13.5 percent per annum. The food industry which is one of the largest industries in India is divided into number of segments like fruits and vegetables meat, dairy, marine products and packaged products. In spite of the highly decentralized fruits and vegetables industry, large number of units is present in cottage, small scale sector having small capacities of up to 250 tons per annum. Since 2000, huge growth has been witnessed in ready to serve sectors like beverages, fruits juices, pulps, pickles, dehydrated and frozen fruits. All the small-scale units engaged in the above segments are export oriented. The dairy sector which has huge potential occupies the highest share in processed food market. The report reflects that only 37 percent of the total dairy produce is processed which consist of 15 per cent of the organized sector. So, there are plentiful opportunities for investment and development in food processing sector which has its own structure and composition unique to the economy. Indian food processing Industry can be defined as companies that convert livestock and agricultural products into products used for transitional or final consumption are included in the food processing or food manufacturing industry. Products in which a raw commodity is transformed into a processed product despite of whether the amount of processing is negligible as in canned fruit, or more intricate, such as snack foods are termed as processed food. (U.S. Census Bureau 2004, Industry Outlook for Processed Foods). In food processing various techniques like grading, sorting, packaging etc are used to add value to the agricultural or horticultural produce which

enhance the shelf life of food products. The Food processing sector provides vital linkages and synergies between industry and agriculture and has been recognized as a sector having direct potential for growth of the economy. Processing also helps in generating rural employment, which is a source of earning foreign exchange

Growth Drivers for Food Processing Industry

Income and Consumption Level: Indian economy which is rising at a rate of 7 % has led to high income for the population and high consumption level. This growing higher disposable income and affluence offer a great opportunity for food service industries.

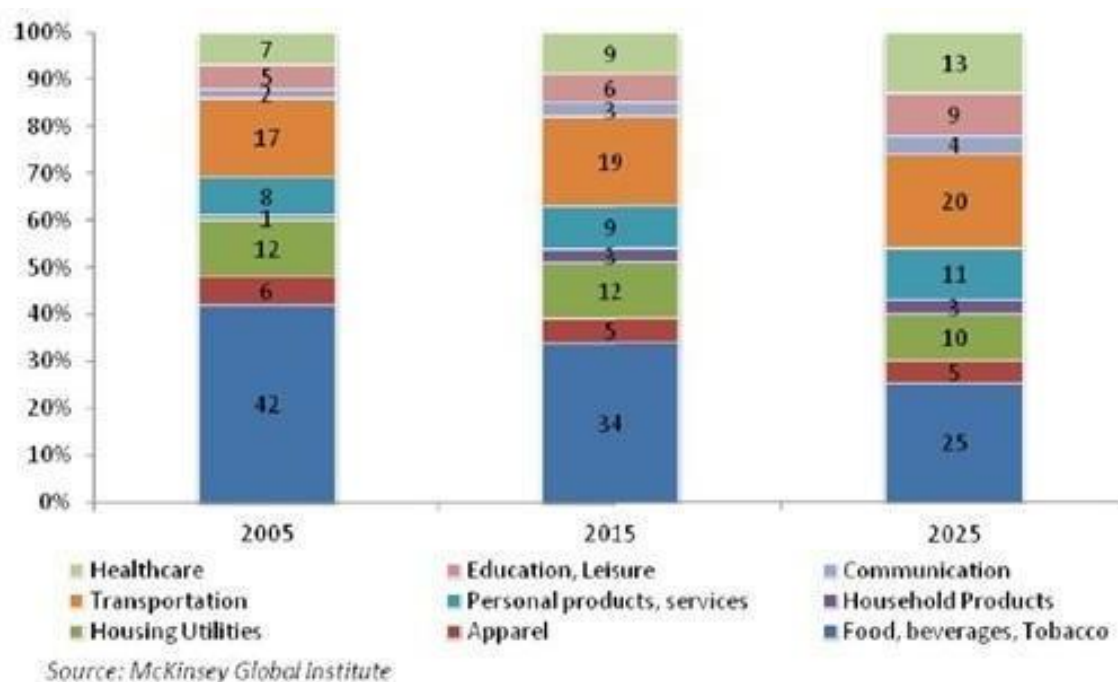


Figure 4: Indian Household Consumption Pattern

Demographics: India currently has a population of 1.2 billion in which 50% are below the age of 25 and 65 % below the age of 35. The bulk of food consumption is driven by the people in the age group between 18 and 35. With the advancement of the service area more people are employed leading to higher standard of living and wallet size. This change in social landscape has resulted in the growth of more food related sector.

c) **Increase in working women:** With the rise in nuclear family and both parents working the demand for ready to eat food has increased in India. Due to high disposable income and more women working, family prefer to eat out the family prefer to eat thus growth opportunity for food service industry.

Convenient Food- Rise in demand of new types of packaged and convenient food like processed meat and meat products which require refrigerated storage, transportation and retail shelf life.

Multiple Cuisines: There is sudden rise in number of restaurants in India as Indians now prefer eating Chinese, Italian, and Mexican etc. This incursion of restaurants has resulted in a positive impact on the Indian food service industry

a) **Improved Retail formats:** The appearance of mall format in India has also resulted in offering greater space to food industry for operation. Malls have sanctioned space for food courts. The visitors of mall are converted into

customers for the food courts resulting in the higher growth for food industry. Interactions of above growth drivers has led to development of forward and backward linkages among the subsets of agriculture production, research and development, agriculture input supply consumption in Agro based products and agriculture marketing. Not only these rural financial institutions can strengthen these linkages by extending credit and services to agriculture subsets. These linkages and essential multiplier can enable the agriculture sector and Agro processing industry to attain higher growth rate in productivity, value addition and production.

Atmanirbhar Bharat

PLI Scheme worth INR 10,900 Cr introduced under Atmanirbhar Bharat 3. The Indian Government has introduced Production Linked Scheme (PLI) food processing industries. The scheme is focused on increasing India's manufacturing capabilities and export under the Atmanirbhar Bharat programme. This will make the industry global competitive, will attract investment in the areas of core competency, will ensure efficiencies, create economies of scale along with increasing exports thus making India an integral part of the global supply chain.

CONCLUSIONS

India which is the second largest producer and consumer of food plays a vital role in the economic development of the country. The food processing sector is the connecting link between the agriculture and manufacturing sector and plays a vital role in the economic development of the country. It is clear that food processing is huge industry ranking 5th in industries having a share of around 9 per cent and 11 percent in the share of agriculture and manufacturing respectively (ASSOCHAM, 2015) which still has 2.2% of the total food produce being processed shows the technological and infrastructural drawbacks. It is assumed that with the launch of make in India policies would address constraints and bottlenecks of the sector. A perfect combination of controllable and uncontrollable factors has affected the growth of the sector and has acted as a hindrance in achieving its potential. Food Processing industry which if well-developed can increase the farm gate prices, reduce wastages, ensure value addition can promote crop diversification, generate employment opportunities as well as export earnings.

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